

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Betsie Valley District Library	County Benzie
Audit Date 9/30/05	Opinion Date 1/4/06	Date Accountant Report Submitted to State: 3/29/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

WILSON, WARD CPA FIRM

Street Address

PO BOX 205

City

INTERLOCHEN

State

MI

ZIP

49643

Accountant Signature



Date

3/29/06

**BETSIE VALLEY DISTRICT LIBRARY
BENZIE COUNTY**

THOMPSONVILLE, MICHIGAN

**AUDIT REPORT
FOR THE YEAR ENDED
September 30, 2005**

Wilson, Ward CPA Firm
P.O. Box 205
Interlochen, MI 49643
(231) 276-7668

January 04, 2006

Board of Trustees
Betsie Valley District Library
Thompsonville, MI

The attitude and cooperative attitude was greatly appreciated. This attitude is reflected in the constant desire to do a better and more complete job and in providing enhanced services to the community.

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Betsie Valley District Library. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Betsie Valley District Library are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Betsie Valley District Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Betsie Valley District Library that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

COMMENT: The books and records were readily available and in good order, which by itself would not say much. However, given light of the very limited resources, actually shows the effort put forth by the staff and board.

It is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices and insure proper compliance with the bond covenants.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert K. Ward', with a long, sweeping horizontal line extending to the right.

Robert K. Ward

**BETSIE VALLEY DISTRICT LIBRARY
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INTRODUCTORY SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Betsie Valley District Library Board
Thompsonville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Betsie Valley District Library, Benzie County, Michigan, as of and for the year ended September 30, 2005, which collectively comprise the Betsie Valley District Library's basic financial statements and have issued our report thereon dated January 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Betsie Valley District Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Betsie Valley District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain matters that we reported to management of Betsie Valley District Library's in a separate letter dated January 4, 2006.

This report is intended solely for the information and use of the audit committee, management, township board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson Ward CPA Firm

Interlochen, MI
January 4, 2006

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Betsie Valley District Library Board
Thompsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Betsie Valley District Library, Benzie County, Michigan, as of and for the year ended September 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Betsie Valley District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Betsie Valley District Library as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with Government Auditing Standards, we have also issued our report dated January 04, 2006, on our consideration of the Betsie Valley District Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Betsie Valley District Library's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wilson Wood CPA Firm

Interlochen, MI
January 04, 2006

BETSIE VALLEY DISTRICT LIBRARY
STATEMENT OF NET ASSETS AND FUND BALANCE SHEET
September 30, 2005

ASSETS

Current Assets

Cash	\$46,463
Investments	12,563
Accounts Receivable	<u>62</u>

Total Current Assets \$59,088

TOTAL ASSETS \$59,088

LIABILITIES AND NET ASSETS/FUND BALANCE

Liabilities

Prepaid State Aid	0
Payroll Taxes	<u>723</u>

Total Liabilities \$723

Net Assets/Fund Balance

Funded Reserves	\$60
Unrestricted Net Assets/Fund Balance	<u>58,304</u>

Total Net Assets/Fund Balance 58,364

TOTAL LIABILITIES AND NET ASSETS/FUND BALANCE \$59,088

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

BETSIE VALLEY DISTRICT LIBRARY
STATEMENT OF ACTIVITIES and GOVERNMENTAL REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2005

REVENUE

Penal Fines	\$33,833
State Aid	2,415
Township Grant	5,760
Other Income	25
Borrower Fines	65
Interest	447
Services	362
Donations	<u>511</u>

Total Revenue	\$43,418
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EXPENSE

Direct Costs

Salaries	\$21,600
Administrative	8,182
Supplies	122
Other Services	1,208
Library Materials	3,114
Capital Outlay	<u>0</u>

Total Direct Cost	\$34,225
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Indirect Costs (Revenues)

Insurance	\$722
Repairs & Maintenance	75
Contingency	0
Contracted Services	<u>1,208</u>

Total Indirect Cost	\$2,005
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Total Expense	<u>\$36,230</u>
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Net Revenue	\$7,188
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Beginning Net Assets/Fund Balance	<u>\$51,116</u>
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Ending Net Assets/Fund Balance	<u><u>\$58,304</u></u>
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THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

a part of the budgeted financial system, but is prepared annually for presentation purposes only.

2. Financial Control of Funds

All funds except petty cash are deposited at year end; \$46,463 is maintained in insured checking accounts. The bank balance as of year end is \$46,662. In addition, \$12,563 is invested in a Certificate of Deposit. All such invested funds are in legal investments as detailed below.

Act 217, PA 1982, as amended authorizes the County to deposit and invest in the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121.

3. Cash and Cash Equivalents

Cash equivalents include all items which will mature within 60 days of the statement date. As of year end, no such cash equivalents were present. The cash present at year end is as follows:

	Carrying Value	Bank Value
Insured, not Collateralized		
Checking	\$46,463	\$ 46,662
Certificate of Deposit	\$12,563	\$ 12,563

4. Contingent Liabilities

Library officials are not aware of any contingent liabilities.

5. Expenditures of Budget

Disclosure of any amounts which have an excess expenditure over budget at year end is required. As such, it is important to note not only the accounts which had a significant excess of actual expenditures in excess of budget but also the causes. For the year ended September 30, 2005, there were no significant budget variances.

6. Capital Assets

Capital Assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$2,500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings	40 years
Building Improvements	25 years
Furniture and fixtures	7 years
Equipment	5 years
Vehicles	10 years

As of September 30, 2005 there are no capitalizable assets with remaining depreciable lives.

7. Pension Plans

There are no pension plans for the employees of the district library.

8. Compensated Absences

There are no vacation or sick pay provisions for compensated absences.

9. Risk Management

All risk management is through commercial insurance.

10. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

SUPPLEMENTAL SECTION

WILSON, WARD CPA FIRM

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To the Betsie Valley District Library Board
Thompsonville, MI

We have audited the combined financial statements of Betsie Valley District Library for the year ended September 30, 2005. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson Ward CPA Firm

Interlochen, MI
January 04, 2006

**BETSIE VALLEY DISTRICT LIBRARY
BUDGETED STATEMENT OF REVENUE AND EXPENDITURES
GENERAL FUND**

For the Year Ended September 30, 2005

	Original Budget	Amended Budget	Actual	Variance
REVENUE				
Penal Fines	\$24,900	\$24,900	\$33,833	\$8,933
State Aid	2,400	2,400	2,415	15
Township Grant	6,050	6,050	5,760	(290)
Other Income	0	0	25	25
Borrower Fines	115	115	65	(50)
Interest	390	390	447	57
Services	496	496	362	(134)
Donations	216	216	511	295
Fund Balance	8,838	8,838	0	(8,838)
Total Revenue	43,405	43,405	43,418	8,851
EXPENSE				
Direct Costs				
Salaries	25,000	25,000	21,600	3,400
Administrative	8,305	8,305	8,182	123
Supplies	2,900	2,900	122	2,778
Other Services	0	0	1,208	(1,208)
Library Materials	4,950	4,950	3,114	1,836
Capital Outlay	0	0	0	0
Misc	0	0	0	0
Total Direct Cost	41,155	41,155	34,225	6,930
Indirect Costs				
Insurance	650	650	722	(72)
Repairs & Maintenance	300	300	75	225
Contingency	0	0	0	0
Contracted Services	1,300	1,300	1,208	93
Misc	0	0	0	0
Total Indirect Cost	2,250	2,250	2,005	246
Total Expense	43,405	43,405	36,230	7,175
Net Revenue	\$0	\$0	\$7,188	\$16,026

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS